

MID-YEAR FY2020-21 FINANCIAL PROJECTION

CITY COUNCIL MEETING

Jovan Grogan, City Manager and Acting Finance Director
Jim Steele, Finance Consultant, Management Partners

February 23, 2021



Objective

- Receive Mid-Year Financial Update Report as of December 31, 2020 (No Action)
- Adopt Resolution Amending FY2020-21 Operating and Capital Improvement Budget by Approving Budget Amendments (Action Required)

Highlights of the General Fund Mid-Year Budget Update



❖ Good News

- Prudent fiscal management continues to keep expenses low. General Fund expenses projected to be lower than budget.

❖ Bad News

- Additional revenue shortfalls related to hotel room taxes and Vehicle License Fees (VLF).

❖ Good News

- Positive growth in Sales Tax revenue is projected to cover shortfalls in other revenue sources. As a result, no additional budget cuts are necessary.

Agenda



1. General Fund Budget Overview
2. Mid-Year FY2020-21 Financial Projection
 - General Fund
 - Revenues & Expenditures
 - Enterprise Funds
 - Internal Service Funds
3. Additional Budget Amendments
4. City Council Discussion and Direction



Fiscal Operating Year

- The City's FY2019-20 fiscal year begins on July 1, 2020 and ends on June 30, 2021.

Fiscal Quarter	Months
Q1	July 2020 – September 2020
Q2	October 2020 – December 2020
Q3	January 2021 – March 2021
Q4	April 2021 – June 2021



FY2020-21 General Fund Adopted Budget Recap

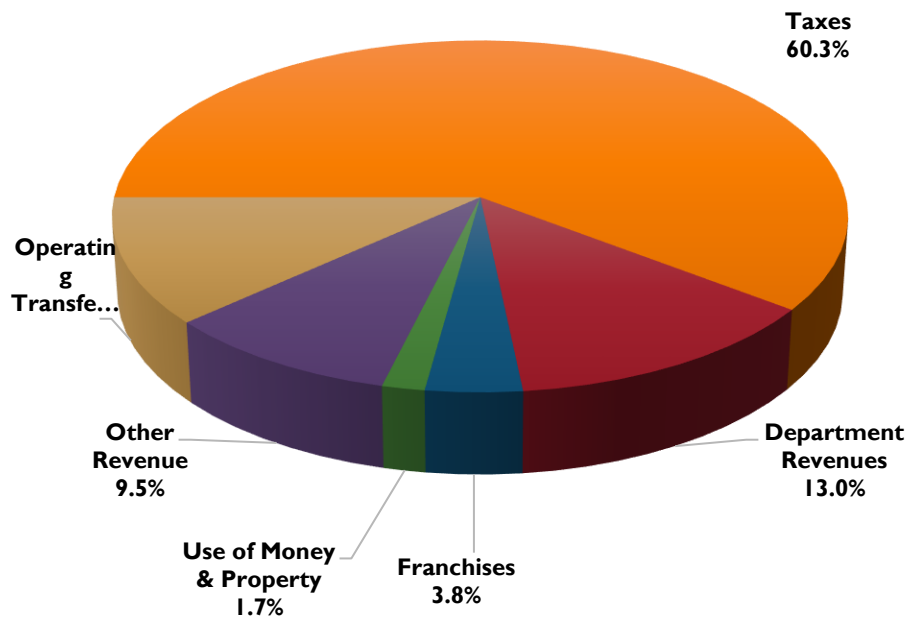


Item	FY2020-21 Adopted Budget	FY2019-20 Adopted Budget
Revenues	\$48,761,458	\$50,111,247
<u>Expenditures</u>	<u>49,352,968</u>	<u>\$50,436,351</u>
Deficit	(591,510)	(\$325,103)
<u>Use of Fund Balance</u>	<u>591,510</u>	<u>\$325,103</u>
Balanced Budget	\$0	\$0

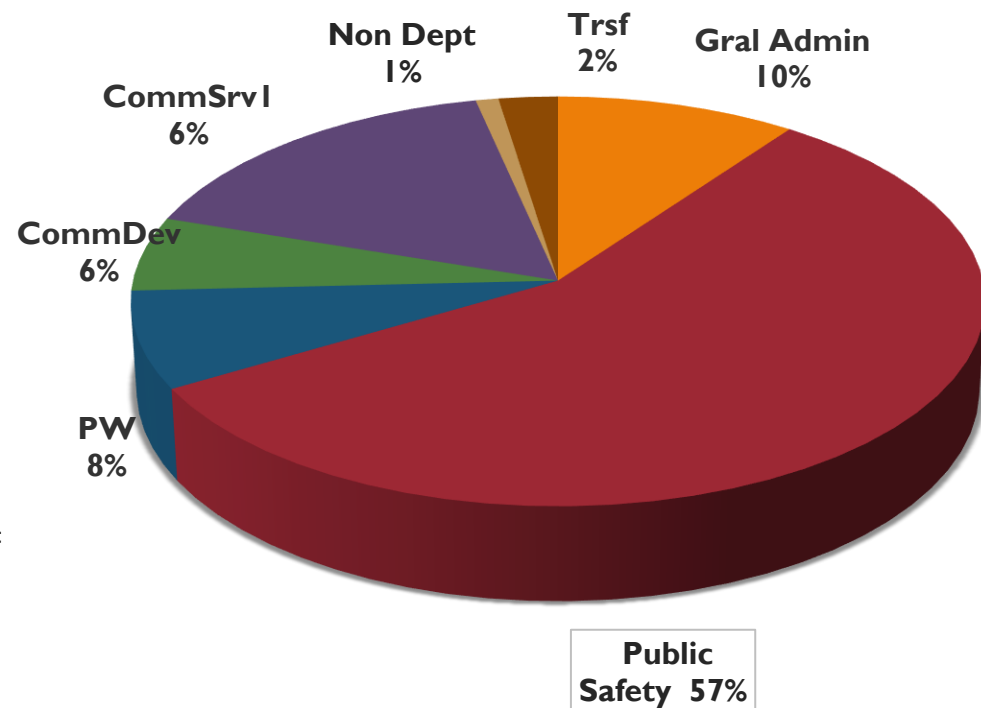
FY2020-21 General Fund Adopted Budget Recap



GENERAL FUND REVENUE SUMMARY



General Fund Expenditures



FY2020-21 General Fund Midyear Projection (Rounded)



Revenues, Expenditures and Change in Fund Balance

Item	FY2020-21 Amended Budget	FY20-21 Projected
Revenues	\$49,423,000	\$49,325,000
<u>Expenditures</u>	<u>50,385,000</u>	<u>\$48,552,000</u>
Net to/(From) Reserves	(\$962,000)	\$773,000

FY2020-21 Midyear Actuals compared to 2019-20, General Fund Revenues



	FY2020-21			FY2019-20	
Revenue	Adopted Budget	YTD as of 12/31/20	% of Budget	YTD as of 12/31/20	% of Budget
Property Tax	\$12,091,981	\$6,287,725	52%	\$5,035,744	42%
Sales Tax	6,468,926	2,470,876	38%	2,646,512	34%
Hotel/Motel Occupancy Tax (TOT)	2,125,467	449,885	21%	1,612,262	46%
Motor Vehicle License Fee & In Lieu Property Tax	4,958,046	1,902,203	38%	2,072,364	40%
Regulatory (Card Room) Tax	2,006,000	1,006,740	50%	987,490	50%
Business Taxes	1,780,910	1,930,334	108%	1,873,208	73%
Franchise Fees	1,871,561	640,521	34%	678,608	36%
Use of Money and Property	754,837	688,439	91%	819,238	92%
Charges for Services	4,184,957	2,092,482	50%	1,913,312	50%
Transfer from Other Funds	5,281,728	693,854	13%	60,270	9%
Departmental Revenues	7,898,272	3,923,028	50%	3,421,852	35%
Total General Fund Revenues	\$49,422,685	\$22,086,086	45%	\$21,120,859	42%



Midyear Results: Revenues

Item	Revenue Category	Projected Revenue Over/(Under) Budget (\$ Millions)
1	Property Tax	(\$0.2)
2	Sales Taxes	3.0
3	Hotel/Motel Occupancy Tax (TOT)	(1.2)
4	Motor Vehicle—In Lieu Property Taxes	(1.2)
5	Business License Tax	0.2
6	Departmental Revenues	(0.7)
	TOTAL	(\$0.1)

Property Tax In Lieu of Vehicle License Fees (VLF)



- ▲ VLF revenue shortfalls due to transitions in school funding sources and delayed State reimbursement
- ▲ Current FY 20-21 Estimate = (\$1.2M)
- ▲ Prior Year FY 19-20 = (\$250,000)
 - County submitted reimbursement claim on behalf of all agencies. Reimbursement included in Governor's proposed budget, released in January 2021
 - Initial estimated FY 19-20 shortfall was \$1.1M



Revenue Adjustments

Revenue Account	Amended Budget	Mid-Year Projected	Change	Explanation
Property Tax	\$12,091,981	\$11,931,981	(\$160,000)	Declining Sales transactions due to stay-at-home orders (Reduced Supplemental Taxes)
Sales Tax	6,468,926	9,468,926	3,000,000	Combination of business slowdowns during pandemic, increase in Use Tax from SM County Pool (on-line shopping), and addition of Walmart.com
Hotel/Motel Occupancy Tax	2,125,467	950,000	(1,175,467)	No Tourist travel due to stay-at-home orders
Motor Vehicle – In Lieu Property Taxes	4,958,046	\$3804,406	(1,153,640)	More SM County School Districts changed from Non-basic aid to basic aid school districts
	\$25,644,420	\$26,155,313	\$510,893	Total Revenue Adjustments



Departmental Revenues Adjustments

Revenue Account	Amended Budget	Mid-Year Projected	Change
Planning	\$213,800	\$163,800	(\$50,000)
Building	2,098,067	2,320,467	222,400
Recreation	838,066	61,037	(777,029)
Parks	38,876	40,914	2,038
Senior Services	141,500	1,678	(139,822)
Library	38,770	22,737	(16,033)
Total Departmental Revenue Adjustments:	\$3,369,079	\$2,610,633	(\$758,446)

- COVID closures in Recreation, Senior Programs and Library, somewhat offset by increased Building Fees and Parks
- Planning also reducing expenditures due to closure



Midyear Results: Expenditures

Department	Projected Expenditures Over/(Under) Budget in Millions
Community Services	(\$1.2)
Police/Public Works	0.08
TOTAL	(\$1.1)

FY2020-21 Year to Date General Fund Expenditures Compared to 2019-20



	FY2020-21			FY2019-20	
Expenditures	Adopted Budget	YTD as of 12/31/19	% of Budget	YTD as of 12/31/19	% of Budget
Police	\$19,369,240	\$10,351,617	53%	\$10,458,003	53%
Fire	11,796,435	6,912,834	59%	6,102,286	52%
General Administration	5,694,638	2,935,594	49%	2,812,967	49%
Parks	3,300,243	1,508,029	46%	1,443,251	43%
Public Works	4,275,670	1,934,312	45%	2,322,163	54%
Library	2,400,474	1,192,739	50%	1,311,471	52%
Recreation	2,104,722	754,220	36%	1,280,327	50%
Community & Economic Dev	3,439,239	1,684,693	49%	1,938,524	53%
Senior Services	1,336,116	575,818	43%	651,403	49%
Non-Departmental	(3,332,123)	(1,629,874)	49%	(1,912,553)	51%
Last Round of Position Reductions	(729,000)	-	-	-	-
Total General Fund Expenditures	\$50,384,654	\$26,219,983	52%	\$26,407,842	51%

FY2020-21 General Fund Measure G (Half-Cent Use Tax) Midyear Projection (Rounded)



Revenues, Expenditures and Change in Fund Balance

Item	FY2020-21 Amended Budget	FY20-21 Projected
Revenues	\$2,911,000	\$3,279,000
<u>Expenditures</u>	<u>2,555,000</u>	<u>2,555,000</u>
Net to/(From) Reserves	\$356,000	\$724,000

FY2020-21 Compared to 2019-20 YTD

Enterprise Funds



	FY2020-21 Adopted Budget	FY2020-21 YTD as of 12/31/20	FY2020-21 % of Budget	FY2019-20 YTD as of 12/31/19	FY2019-20 % of Budget
Water Enterprise					
Revenue	\$17,420,923	\$8,068,512	46%	\$7,782,005	47%
Expenditure	10,471,911	5,219,942	50%	4,656,870	46%
Wastewater Enterprise					
Revenue	\$19,009,665	\$7,966,830	42%	\$8,006,074	43%
Expenditure	9,617,128	4,551,230	47%	4,467,315	49%
CityNet Services					
Revenue	\$10,837,377	\$4,562,943	42%	\$4,610,132	47%
Expenditure	9,933,341	4,259,327	43%	4,389,392	46%
Stormwater Enterprise					
Revenue	\$693,000	\$352,022	51%	\$340,090	50%
Expenditure	1,154,255	501,057	43%	563,368	46%

FY2020-21 Compared to 2019-20 YTD

Internal Service Funds



	FY2020-21 Adopted Budget	FY2020-21 YTD as of 12/31/20	FY2020-21 % of Budget	FY2019-20 YTD as of 12/31/19	FY2019-20 % of Budget
Central Garage					
Revenue	\$575,000	\$287,508	50%	\$405,018	46%
Expenditure	703,553	374,305	53%	315,877	44%
Building & Facilities Maintenance					
Revenue	\$1,724,000	\$862,002	50%	\$757,271	42%
Expenditure	1,562,651	698,888	45%	711,871	47%
Self Insurance					
Revenue	\$2,846,554	\$1,423,284	50%	\$1,123,284	50%
Expenditure	2,656,591	1,739,989	65%	2,159,017	88%
Technology					
Revenue	\$1,058,000	\$529,014	50%	\$416,496	41%
Expenditure	1,036,753	474,361	46%	465,000	47%



FY2020-21 Budget Amendments

Program	Fund	Revenue Increase/ (Decrease)	Expense Increase/ (Decrease)
Peninsula Clean Energy Reach Code Grant	Restricted Funds	(\$10,000)	
Peninsula Clean Energy Reach Code Grant	Facilities	10,000	
Share of San Mateo County's Information Services Dept Support	General Fund	(21,888)	
Share of San Mateo County's Information Services Dept Support	Police Dept		21,888
Property Tax Budget Reduction	General Fund	(160,000)	
Sales Tax	General Fund	3,000,000	



FY2020-21 Budget Amendments

Program	Fund	Revenue Increase/ (Decrease)	Expense Increase/ (Decrease)
Hotel/Motel Budget Reduction	General Fund	(\$1,175,467)	
Motor Vehicle License Budget Reduction	General Fund	(1,153,640)	
Business Tax Increase	General Fund	149,424	
Department Budget	Building	222,400	
Department Budget	Planning	(50,000)	
Department Budget	Recreation	(777,029)	
Department Budget	Parks	2,039	
Department Budget	Public Works	50,000	
Department Budget	Police	11,000	
Department Budget	Senior Services	(139,822)	



FY2020-21 Budget Amendments

Program	Fund	Revenue Increase/ (Decrease)	Expense Increase/ (Decrease)
Department Budget	Library	(16,033)	
Department Budget	Recreation		(\$583,422)
Department Budget	Parks		(312,953)
Department Budget	Senior Services		(126,787)
Department Budget	Library		(173,505)
Vehicle Outfitting	General Fund	(60,000)	
Vehicle Outfitting contract with Lehr	Equipment Reserves		60,000
Emergency Replacement of Traffic Signal	Measure A Funds	(79,325)	
Emergency Replacement of Traffic Signal	PW Streets		79,325



FY2020-21 Budget Amendments

Program	Fund	Revenue Increase/ (Decrease)	Expense Increase/ (Decrease)
Enterprise Fund Budget Reduction	Water	(\$17,840)	
Enterprise Fund Budget Reduction	Wastewater	(1,055,289)	
Enterprise Fund Budget Reduction	CityNet	(1,437,377)	
Enterprise Fund Budget Reduction	CityNet		(533,341)
Use CIP Funds from Strategic Software Needs Assessment and Upgrade towards Tyler Content Management Upgrade	CIP	(47,000)	
New CIP Project for Tyler Content Management Upgrade	New CIP		47,000
YouTube Community Benefit Payment	General Fund CIP Reserves	4,500,000	



Takeaways

■ General Fund

- Sales Tax Increase
- Hotel/Motel Occupancy Tax revenue decline
- Motor Vehicle In Lieu Fee reduction, Ongoing Problem Countywide
- Several departmental revenue declines due to closures, primarily Recreation
- Expenditure run-rates are within normal, expected range, with exception of reduction in Recreation/Senior Services/Library due to closures



Takeaways

- Enterprise Service Funds
 - Wastewater and CityNet - Recommended reduced revenue estimates
 - CityNet reducing expenditures to meet revenues
- Internal Service Funds
 - Normal, expected activity



City Council Discussion & Direction

- Receive Mid-Year Financial Update Report as of December 31, 2020 (No Action)
- Adopt Resolution Amending FY2020-21 Operating and Capital Improvement Budget by Approving Budget Amendments (Action Required)

Questions





END